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State of South-South cooperation

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolutions 52/205 of 18 December 1997 and 50/119 of 20 December 1995. It provides a general review of the recent developments and trends in South-South cooperation, with particular emphasis on trade, investment and finance. It also examines the extent to which support by the multilateral system has contributed to such cooperation. Special focus is placed on building broad-based partnerships, enhancing collective capacities, knowledge networking and integrating the modalities of technical and economic cooperation among developing countries into the operational activities of the United Nations development system. The report underscores the importance of South-South cooperation in a globalization era and offers some suggestions for improving such cooperation.

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I. Introduction

1. In its resolution 50/119 of 20 December 1995, entitled Economic and technical cooperation among developing countries and a United Nations conference on South-South cooperation, the General Assembly requested the Secretary-General to present to it on a biennial basis a report entitled "State of South-South" cooperation. The first such report was submitted to the Assembly at its fifty-second session, in 1997 (A/52/402). The Assembly, in its resolution 52/205 of 18 December 1997, took note of the report and decided to include in the provisional agenda of its fifty-fourth session the sub-item entitled "Economic and technical cooperation among developing countries" and requested the Secretary-General to report on the implementation of the resolution.

2. Furthermore, in its resolution 52/205, the General Assembly requested the Secretary-General to incorporate into his report on the triennial policy review of operational activities for development, for consideration at its fifty-third session, an assessment and recommendations aimed at further strengthening the integration of the modalities of economic and technical cooperation among developing countries into the operational activities of the United Nations system. It also decided to hold a one-day commemorative meeting at the beginning of the fifty-third session of the Assembly to mark the occasion of the twentieth anniversary of the adoption of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries. It further invited the United Nations development system to formulate measures to help implement the San José Declaration and Plan of Action for South-South cooperation, and intensify its efforts in support of technical and economic cooperation among developing countries.

3. The present report has been prepared in response to both resolutions. The report reviews recent developments and trends in South-South cooperation, with particular attention to regional and subregional cooperation, trade, investment and finance, industry, technology and enterprise development. Multilateral system support to South-South cooperation is also examined to the extent that it has contributed to broadening global partnerships and enhancing collective capacities and knowledge networking throughout the South for such cooperation. Progress made in respect of integrating the modalities of technical and economic cooperation among developing countries into the operational activities of the United Nations development system is also addressed briefly. The report underscores the importance of South-South cooperation in a globalization era and offers some suggestions for further improving such cooperation.

4. Several studies carried out recently by a number of multilateral and intergovernmental organizations and institutions, especially the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO), the World Bank, the International Monetary Fund (IMF) and the South Centre, have been beneficial in the preparation of the present report. Reports on the subject submitted by other United Nations organizations and agencies, including the regional commissions, in connection with the eleventh session of the High-level Committee on the Review of Technical Cooperation among Developing Countries, held in New York from 1 to 4 June 1999 (TCDC/11/1 and Corr.1 and TCDC/11/2), have also been drawn upon extensively. The report of the High-level Committee has also been submitted for the consideration of the General Assembly (DP/1999/L.12).

II. Recent developments and trends in South-South cooperation

A. Overview

5. South-South cooperation is a broad concept. It is often perceived, in operational terms, as having two dimensions — economic cooperation and technical cooperation among developing countries. Generally economic cooperation refers to intra-South cooperation in trade, investment and finance. The term is also used to cover collaboration in other economic sectors, such as industry, technology and communication. Technical cooperation, on the other hand, refers to the building, pooling and sharing of capacities — human, institutional, technical and financial — to further enhance an enabling environment for socio-economic progress in developing countries. It can be said that both forms of cooperation are mutually reinforcing — technical cooperation helps create the necessary conditions for economic cooperation and economic cooperation provides the framework for technical cooperation.

6. This section of the report attempts to provide a general review of recent developments and trends in South-South cooperation, with particular reference to trade, investment and finance.

7. The new economic environment is marked by globalization and the integration of the world market fuelled by liberalization and technological advancement. Unprecedentedly rapid international mobility of virtually all

factors of production, except labour, is taking place. However, the steady expansion of exports and the phenomenal growth of capital flows mask enormous disparities in experiences across countries and regions. According to the UNDP Human Development Report 1999, the rapid but uneven global integration process cuts across levels of income and human development. According to the UNCTAD World Investment Report 1998 the world's total foreign direct investment in 1997 soared to $400 billion, but only 37 per cent went to developing countries and 5 per cent went to the transition economies. The top fifth of the world's people in the industrial countries enjoy 82 per cent of the expanding export trade and 68 per cent of foreign direct investment, while the bottom fifth, mainly in developing countries, share barely more than 1 per cent. The richest one fifth of the world's population control over 86 per cent of world product and account for 93.6 per cent of Internet use. More than a quarter of the 4.5 billion people in developing countries still do not have some of life's basic choices. Nearly 1.3 billion people do not have access to clean water and live on incomes of less than $1 a day.

8. To deal with the challenges of globalization, many developing countries have embarked on bold economic reforms, liberalized trade, eliminated or reduced price controls, cut down State interventions and brought inflation under control. Those efforts are leading to a convergence of economic policies in most developing countries both within and across regions, broadening the prospects for closer and deeper economic and technical cooperation among them. Increased differentiation and sophistication among developing countries in terms of levels of development and technical capacities have also opened up new opportunities for closer cooperation.

9. In this context, South-South cooperation is premised on the need for developing countries to strengthen both collective and individual capacities in order to deal with the multifaceted challenges and opportunities offered by globalization. South-South cooperation is, therefore, increasingly pursued by developing countries as both a policy and a practical strategy for sustainable economic growth through trade expansion, investment diversification, industrial complementation and technology transfer. The goal is to ensure effective participation by all countries in a rapidly integrating world economy and to shield economically disadvantaged members from further marginalization.

10. South-South cooperation has gained new momentum in recent years, especially at the regional and subregional levels. Developing countries are increasingly seeking to exploit special links derived from shared resources, spatial proximity and cultural and economic convergence, as well as improved transport and communication links. Regional and subregional cooperation arrangements, according to the World Bank, have increased from 39 in the decade of the 1970s to 82 in the first seven years of the 1990s. New cooperation arrangements, such as the Johore-Singapore-Riau growth triangle and the Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation have been formed. Pre-existing regional and subregional cooperation arrangements have also experienced an upsurge in activity. Mercosur, for example, is becoming a vibrant common market of the South in Latin America. The Association of Southeast Asian Nations has stepped up its efforts to create a free-trade area. The South Asian Association for Regional Cooperation has also decided to speed up the process of becoming a free-trade subregion, based on a preferential trade agreement launched in 1995. The Latin American Free Trade Association is being revitalized into a Latin American integration association. Negotiations to revive the East African Community are at an advanced stage.

11. These developments have, in many ways, contributed to increased South-South cooperation in trade, investment and finance, and provided new scope for cooperation in other areas such as industry, technology and enterprise development. Intra-South trade has grown significantly, accounting for 42 per cent of developing countries' total exports in 1997 as against 32 per cent in 1990. South-South investment and financial flows have also increased, especially in the Asian and Latin American regions. South-South cooperation in industry, technology and enterprise development is also on the rise, mainly through the building and strengthening of regional and subregional transport and communication links.

12. Despite the progress described above, the historical commitment to traditional North-South linkages in trade, aid and finance as well as established institutional infrastructures for North-South cooperation still hold back the potential of South-South cooperation. Above all, the lack of adequate funding for South-South cooperation remains a formidable challenge.

B. Recent trends in South-South cooperation

Trade

13. The growth of trade in developing countries has registered a declining trend in recent years. In 1998, for the first time in the current decade, it is lower than the growth rate of world trade. This is due largely to the deteriorating terms of trade and the contagion effect of the Asian financial

crisis. The drop in oil prices in 1998 made the situation even worse. Yet the point to note, as shown in table 1, is that world trade is growing faster than world output and the trend in the 1990s is relatively better performance by the developing countries. Even more significantly, as illustrated in table 2, South-South trade is witnessing growth, such that 42 per cent of the exports of Southern countries are with other Southern countries.

14. Regional and subregional economic arrangements have played a prominent role in stimulating the growth of South-South trade. Indonesia, Malaysia, the Philippines, the Republic of Korea and Thailand have become formidable players in South-South trade. Between 25 and 45 per cent of their exports go to partner countries in the region, and between 17 and 35 per cent of their imports originate from the same partners. In 1996, about 52 per cent of Asia's total merchandise exports were sold within the region, while 54 per cent of total imports were from the region.[1] In Mercosur, trade among member States in the 1990s grew at the annual rate of 19.4 per cent, while total trade grew at the rate of 9.7 per cent. Trade within Mercosur went up from 11 per cent of total trade of the region in 1991 to 25 per cent in 1998.[2] Interregional trade among countries of the South is also growing. Latin America exports about 16 per cent of its agricultural products and 13 per cent of its mining products to Asia. About 20 per cent of Africa's agricultural products are sold in Asia, in addition to 13 per cent of the region's mining products. More significantly, the Middle East exports about 57 per cent of its mining products to Asia.[3] This was not the case in Africa, however, for a variety of reasons, including limited growth in output, adverse terms of trade, weakness in transport and communication links and a heavy debt burden.

Table 1
World output and trade (percentage change over previous year)

	1980s	*1994*	*1995*	*1996*	*1997*	*1998*
World output	2.8	2.9	2.5	3.2	3.3	2.5
Developing countries	2.4	5.6	4.6	5.7	5.8	3.5
Africa	1.9	2.0	2.7	4.5	3.0	3.8
Asia	7.2	8.6	8.2	7.5	6.5	3.8
East Asia	7.1	7.6	7.6	6.6	5.5	1.0
China	9.1	12.6	10.5	9.7	8.8	8.0
South Asia	5.3	5.2	6.2	6.0	5.1	5.3
West Asia	-2.2	-0.9	4.1	4.8	5.9	4.0
Latin America and the Caribbean	1.0	5.5	-0.1	3.7	5.4	2.8
World trade	4.5	10.5	8.6	5.5	8.9	7.0
Developing countries	-	14.7	12.4	10.4	10.7	3.8

Source: United Nations, *International Trade Statistics Yearbook* and World Economic and Social Survey 1998.

Table 2
Export volume (billions of United States dollars and percentage)

	1990	*1994*	*1995*	*1996*	*1997*	*1998**
World exports	3 437	4 225	5 074	5 300	5 506	5 290
Developing country exports	805	1 185	1 476	1 553	1 670	1 556
As share of world exports	23.4%	28.0%	29.1%	29.3%	30.3%	29.4%
Trade among developing countries	276	482	605	644	700	
As share of their total exports	34.3%	40.7%	41.0%	41.5%	41.9%	

Source: United Nations, *International Trade Statistics Yearbook* and World Economic and Social Survey 1998.

* The figures for 1998 have been interpolated from IMF, International Financial Statistics, August 1999.

15. In addition to these developments, the technological achievements in Asia and Latin America signal a small but significant departure from the traditional international division of labour between the North and the South. Rather than simply producing and exporting primary commodities, the South is increasing its exports of manufactured goods. This trend holds promise for accelerated development as a larger number of countries in the South become major producers and exporters of manufactured goods.

16. The gains in trade described above are still modest when compared to the trade flows among developed countries and the overall share of developing countries in world trade. In this context, South-South cooperation in trade needs to strive for the creation of an equitable international environment by considering the following issues: (a) concerted action on trade arrangements to take advantage of the flexibility granted to the developing countries in the World Trade Organization (WTO) arrangements; (b) coordination of policy and approaches for dealing with the global trade regime, particularly in respect of the review of the WTO agenda, consideration of new issues and the millennial round of negotiations; (c) continuation and strengthening of the global system of trade preferences among developing countries; and (d) the strengthening of regional economic groupings for the promotion of intraregional and ultimately global free trade.

17. Trade financing is a matter of serious concern to many developing countries since debt reduces the capacity of the countries of the South to expand production and trade. Clearing-house arrangements basically address liquidity problems but, for many developing countries, the problem tends to be one of paucity of real resources. For this reason such arrangements have not been as helpful as they were expected to be. The Bangkok agreement on clearing-house arrangements, for example, has been relatively dormant in the recent past. Revision of IMF quotas by 36 per cent (from 392.5 billion special drawing rights (SDR) to SDR 533.3 billion) and finally allocation of SDR 67.99 billion will provide additional liquidity, but it will not ease the situation much. A situation such as the Asian crisis will always require special bailout packages. For most developing countries, particularly the low-income ones, the critical problem is to eliminate the debt burden. It is therefore important that recent steps regarding reduction of the debt overhang are implemented speedily and extended to more countries.

Investment and financing

18. In order to benefit from the current global economic expansion, developing countries have sought to expand domestic savings and attract foreign investment. A number of developing countries are taking advantage of the rising volume of global financial resources, but a much larger number are being bypassed by foreign investment. It is important to recognize in this context that South-South cooperation is instrumental in attracting foreign investment. Through regional integration and other collaborative initiatives, countries are setting up larger markets and developing the infrastructure and institutional framework and thus attracting national and foreign investors.

19. There has been a significant change in the distribution of foreign direct investment stock in the world in the wake of globalization. In 1990 total foreign direct investment stock was $1,736 billion, of which only $358 billion, or 20 per cent, was in developing countries. The position in 1997 was $1,044 billion in developing countries of a world total of $3,455 billion. Table 3 shows the inflow and outflow of foreign direct investment for selected years. The two features

worth noting are the essentially stagnant flow of foreign direct investment to Africa and the large volume of outflow from East, South-East and South Asia. The phenomenon of outflow indicates the investment of a few Southern enterprises in foreign affiliates. Investment cooperation is certainly flourishing in a number of developing countries, with the initiatives of national firms of the South taking on a transnational character.

20. A study conducted by the South Centre provides some estimates of South-South foreign direct investment for some early years of the 1990s showing Chile, China, Indonesia, Malaysia, Paraguay, Sri Lanka and Uruguay as major recipients of investment from developing countries.[4] Evidently the transnational firms of developing countries are increasingly investing in other countries, but there are no separate estimates on how much of it is flowing to the South. A general idea of investment flows from the South can be made from some UNCTAD compilations on foreign direct investment. In 1996, 100 top transnational companies had foreign assets of $1,800 billion, and only two among them were from the South, with combined assets of $22 billion. A list of the top 50 transnational corporations from the South shows their command over foreign assets at $146 billion. Foreign direct investment to Asian countries suffered a setback in 1998, but overall flows of foreign direct investment to other countries in the South have not been seriously affected by the Asian crisis.

21. Regional groupings, which have policy instruments and other mechanisms to foster collaboration in trade and investment, have helped boost South-South cooperation in those areas. The Mercosur experience demonstrates that Argentina and Brazil have been expanding investments in other countries of the region in diverse sectors, such as telecommunications, food industries, petrochemicals, machinery and small equipment manufacturing. Again, as integration schemes are worked out it is essential for the private sector and international development finance institutions to be involved from the beginning. The Mekong regional development plan, for example, is a case for closer coordination between the Asian Development Bank and the Mekong River Commission.

22. The establishment of common markets, regional integration and the formation of subregional groupings are effective ways of addressing the constraint of market size. In addition, a viable industrial infrastructure requires a reliable and efficient energy supply, dependable transport and communication links, propitious banking facilities and healthy and skilled manpower. These requirements cannot be met overnight, but sometimes imbalances engender creative action. For example, lack of easy travel and transit facilities may force rapid development of transport and communication infrastructure.

23. Current efforts to improve financial intermediation in developing countries can greatly help investment growth. Some developing countries, such as the Republic of Korea, are sharing experiences in this area with other developing countries. A noteworthy opportunity to foster South-South cooperation in this respect is the recent Asia-Africa workshop, sponsored by the Office of the Special Coordinator for Africa and the Least Developed Countries of the Department of Economic and Social Affairs and the UNDP Special Unit for technical cooperation among developing countries on financial intermediation in Africa held in 1998 in Mauritius. The workshop provided opportunities for African participants to exchange experience with Asians and to adopt a plan of action.

24. Efforts are being made to enable small and medium enterprises to enter into subcontracts for the global market through such mechanisms as geographical or sectoral clustering of enterprises or subcontracting and partnership exchange programmes. The Bangalore software industry in India and the Nnewi cluster of small and medium enterprises producing automotive parts in Nigeria illustrate the promotion of production and trade through clustering. In 30 countries 45 subcontracting and partnership exchanges have been set up with the assistance of UNIDO, but they are now functioning independently.

25. Cooperation in industry, technology transfer and enterprise development is perhaps one of the weakest aspects of South-South cooperation. This is due largely to limited involvement of the private sector in schemes of South-South cooperation. In the past, technical cooperation among developing countries programming exercises resulted in only a few cooperative initiatives on enterprise and technology development in the private sector. The situation is changing with the current acceleration in regional cooperation, trade liberalization, investment cooperation, technology adaptation and the greater role of private initiative. Inter-firm technology agreements are increasing; in 1996 there were about 40 a year, up from 10 in the 1980s. UNCTAD and UNIDO have formed a strategic alliance for investment promotion and enterprise development in developing countries with a view to promoting joint South-South trade and investment agreements. The success of the compact essentially depends on mobilizing investment once technical feasibility and project designs are worked out. It is essential that the private sector be involved from the very beginning and that strategic alliances are forged with financial institutions.

Table 3
Annual inflow and outflow of foreign direct investment (billions of United States dollars)

	1986-1991	*1994*	*1995*	*1996*	*1997*
Inflow					
World	159	242	331	338	400
Developing countries	29	96	106	129	149
Africa	2.9	5.7	5.1	4.8	4.7
West Africa	1.3	1.5	-0.7	0.3	1.8
East, South-East and South Asia	15.1	58.3	66.6	77.6	82.4
Commonwealth of Independent States	0.66	5.9	14.2	12.3	18.4
Latin America and Caribbean	9.4	28.7	31.9	43.7	56.1
Outflow					
World	181	284	352	334	423
Developing countries	11.3	42.5	45.6	49.2	61.1
Africa	1.0	0.658	0.591	0.297	1.1
West Asia	0.660	1.1	0.825	-0.871	0.505
East, South-East and South Asia	8.3	35.6	41.8	47.4	50.1
Commonwealth of Independent States	0.25	0.268	0.408	0.993	3.3
Latin America and Caribbean	1.3	5.2	2.3	2.3	9.0

Source: UNCTAD, World Investment Report 1998.

26. It is increasingly realized that the expansion of transport and communication links must be substantially improved to reap the benefits of globalization. That an integrated transport network and good communication links can bring about benefits in terms of trade and investment is being demonstrated by rapid growth in transit trade and electronic commerce. The renewed interest in regional communication links and highways in South and South-East Asia and reference to cooperation in transport and communication in the Bali Plan of Action symbolize the importance that the issue is receiving. It is widely recognized that in order to benefit from the information revolution the development of communication infrastructure in developing countries is, indeed, a matter of the highest priority.

27. A number of countries, such as Bangladesh, Malaysia and Pakistan, have a specific foreign direct investment regime in which they offer special concessions; many others have bilateral agreements with home countries of transnational companies. Many others are developing bilateral investment treaties among themselves under the auspices of the Group of 15 and UNCTAD. In addition, the World Association of Investment Promotion Agencies is partly supported by UNCTAD. At its second annual meeting, held in 1997 in Geneva with 80 participating countries, the Association dealt with the harmonization of foreign direct investment regimes and considered preparing a best practices manual. The World Trade Organization (WTO) is also looking at standardization of investment and competition policies. However, it is widely recognized that the most important factor in attracting investment is the quality of public administration and the prevention of corruption in public service.

28. Intra-South investment is still impeded by the heavy indebtedness of many developing countries. Indeed, the debt burden has become a formidable obstacle to saving, investment and trade growth, constraining a nation's overall economic and human development. Many Initiatives on debt relief have been tried over at least two decades with little success. The latest effort is the Heavily Indebted Poor Countries Debt Initiative, launched first in 1996 and re-examined last July. This encouraging Initiative seeks debt reduction and is likely to provide relief to 37 countries. However, the complexity and time-consuming nature of the Initiative, the severe conditionality and the neglect of ongoing financing needs persist. It also excludes a few additional deserving countries, whose total debt is very small

in the context of global capital flows. How to improve the economy of a debt-ridden country expeditiously remains the crux of the problem. Some bold initiatives are warranted, and to this end the proposal for outright cancellation of debt deserves serious consideration. Although debt relief puts a burden on developed countries, it must be appreciated that the prompt resolution of the problem is an imperative for the inclusion of many countries in the globalization process and its sustainability.

III. Multilateral support to South-South cooperation

29. Developing countries have the ultimate responsibility for South-South cooperation. But the multilateral system has a role to play in sustaining global economic expansion. At the commemorative meeting of the twentieth anniversary of the Buenos Aires Plan of Action, held on 7 October 1998 in accordance with General Assembly resolution 52/205, Member States reaffirmed the continuing relevance of the Plan of Action and called for renewed commitment and action by the international community in support of South-South cooperation. (The proceedings and main deliberations of the meeting are contained in document A/53/PV.31 and in a publication of the Special Unit for Technical Cooperation among Developing Countries entitled "Buenos Aires Plan of Action: Twentieth Anniversary Commemoration".)

30. This section reviews the role and performance of the United Nations development system in support of South-South cooperation in the past two years. Emphasis has been given to efforts aimed at strengthening broad-based partnerships, enhancing collective capacities, connecting the South and effecting integration of technical and economic cooperation among developing countries in the operational activities for development of the United Nations development system.

A. Strengthening broad-based partnerships for South-South cooperation

31. Building broad-based partnerships for South-South cooperation calls for action on various fronts, beginning with the intensification of efforts by the developing countries to orient their development policies and practices towards economic and technical cooperation among developing countries. The essential requirements are innovative measures for undertaking South-South cooperation programmes, adequate funding of such programmes and acceleration of support to think-tanks of the South. Information on some of the noteworthy initiatives that underscore the various benefits different partners can bring to promote and widen the scope of South-South cooperation is provided below.

Pivotal countries

32. The Special Unit identified 23 developing countries that, at a meeting in 1997, expressed their willingness to play a lead role in technical cooperation among developing countries by sharing their policies as well as their experience, know-how and expertise with other developing countries. Those countries, many of which are at a mid-income level, bring a new dimension to technical and economic cooperation among developing countries that should increase the flow of technical assistance from the more developed to the less developed countries of the South. Further action in terms of initiatives by groups of countries and pilot projects is under consideration.

Triangular cooperation

33. Triangular cooperation has emerged as a useful vehicle for donor countries to support South-South programmes initiated and managed by two or more developing countries for their mutual benefit. Japan, for example, provided funds to Indonesia in 1997 to promote rice cultivation in the United Republic of Tanzania. There are many cases in which a donor has helped a developing country to send its personnel for training in another developing country. Observation study tours for family-planning workers conducted by Indonesia received participants from many countries under this kind of triangular financing. Denmark supported a technical cooperation programme between Chile, Cuba and the Dominican Republic. Germany is supporting a programme under which Chile and Paraguay will develop small and medium enterprises. Under a programme funded by Finland, Mexico is helping Guatemala to improve the living conditions of local communities in the country, and Chile is promoting the woodworking industry in Nicaragua. Austria, France, Italy and the Netherlands have also provided funds for triangular arrangements. Another very good example involves a major food security initiative in West Africa, supported by UNDP with funding from Japan. The initiative has evolved into a broad-based partnership involving the West African Rice Development Association, a number of rice research institutions, gene banks and laboratories and extension agents in a number of countries in the subregion. The Trust Fund for South-South Cooperation, established pursuant to General Assembly

resolution 50/119 has supported some major initiatives in South-South cooperation. Triangular cooperation and expanded activities of the Trust Fund hold promise and deserve greater support from the donor countries.

Participation by the private sector and non-governmental organizations

34. Following the second Tokyo International Conference on African Development, held in October 1998, UNDP, in collaboration with the Multilateral Investment Guarantee Agency of the World Bank, UNCTAD, the Malaysian South-South Corporation, relevant United Nations agencies and organizations and national chambers of commerce and industry in Africa and Asia launched the Africa-Asia Business Forum with the financial support of Japan. This project is dedicated to Asia-Africa business and investment collaboration in areas such as joint ventures, franchising, technical licensing, technology transfer and subcontracting. Enterprises from China, India, Indonesia, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand will cooperate with those in Africa, mainly in Botswana, Côte d'Ivoire, Ghana, Nigeria, South Africa, Togo, the United Republic of Tanzania and Zimbabwe to set up collaborative ventures. This initiative promises to contribute significantly to South-South industrial and technological cooperation.

35. Also noteworthy is the recent collaboration of UNDP with a number of international non-governmental organizations such as the South Centre, the Third World Network, the Third World Network of Scientific Organizations and the Third World Academy of Sciences. This partnership arrangement is expected to enhance the capacity of these institutions as think-tanks and as effective networks preparing agendas for action as well as documenting and disseminating successful sustainable development practices.

B. Enhancing the collective capacities of developing countries

36. The phenomenon of globalization raises the question of how individual countries, especially the least developed, are to maximize the benefits of the process and minimize the risks of possible dislocation and marginalization. The critical challenge in this regard is capacity-building. Developing countries need new capacities to acquire and utilize the flood of knowledge made available by the information revolution. Equally important is the capacity for the efficient management of the public and private sectors domestically so that in a competitive world it is possible to thrive and prosper. In addition, it is necessary to acquire the skills and know-how for the capacity to negotiate effectively in the new systems of global governance like WTO.

37. In response to requests from the developing countries as a group for support in relation to their participation in the work of WTO, UNDP and the South Centre joined in a major undertaking to review the processes of WTO and its implications for the South. This effort resulted in a policy publication entitled "The WTO Multilateral Trade Agenda and the South" in 1998. The publication analyses various areas and issues confronting developing countries in the WTO process in respect of implementation of the Uruguay Round agreements, their built-in agenda and the future millennial trade agenda. It proposes a number of tasks to be undertaken by developing countries for the improvement of their position in the global trade regime and their negotiating capacity in WTO. The publication serves as a useful reference for those routinely involved in WTO discussions and negotiations in Geneva and for officials, policy makers and opinion leaders in national capitals.

38. In a similar effort, UNCTAD and UNDP have jointly launched a global programme on globalization, liberalization and sustainable human development. The programme aims at strengthening the capacities of developing countries, especially the low-income ones, using the South-South approach to design policy and institutional measures suitable for their integration into the global economy, to improve coordination between policy development at the local and global levels and to monitor the implementation of policies and programmes. In collaboration with the Organization of African Unity, the Economic Commission for Africa and several other regional groupings, UNDP is also launching a major initiative to build capacities of the countries in the sub-Saharan region.

39. Another collective capacity-building effort involves the continued implementation of the UNCTAD Global System of Trade Preferences among Developing Countries. Launched in 1989, the system has indeed provided a useful framework for free trade among a limited number of countries and served as a stepping stone towards global free trade.

40. A number of other initiatives are also being undertaken to build the capacity of groups of disadvantaged countries in specific areas of strategic importance. UNCTAD is assisting the least developed countries to ensure duty-free access for their exports under the WTO regime. United Nations organizations are increasingly supporting the establishment of centres of excellence in the South. The

United Nations Population Fund, for example, supported the establishment of five centres of excellence, in China, Indonesia, Mexico, Thailand and Tunisia, which promote the dissemination of successful experiences in the field of reproductive health and population aimed at offering a wide range of relevant training to other developing countries.

41. Capacity-building thus constitutes an important focus of many international development cooperation activities. It is also felt that more tangible and self-sustaining results can perhaps be achieved through multilateral initiatives that help pool and strengthen the South's collective capacities in dealing not only with national development and global integration challenges that are common to all developing countries, but also with those that are specific to the less- and least-developed, landlocked and small island developing countries.

C. Connecting the South

42. The information revolution is making it easier to compile information and to provide access to technology at relatively low cost. It has made it possible to unbundle production processes, spreading out production plants to many locations and opening up the scope for subcontracting to small and medium enterprises in a global market. It also provides opportunities for developing countries to leapfrog to sophisticated technology. These advances have offered unprecedented opportunity to the developing countries to speed up the process of development.

43. Over the years, most United Nations organizations and agencies have collated information on expertise, institutions and best practices. The Food and Agriculture Organization of the United Nations, for example, has expanded its Agricultural Sciences and Technology Information System and Agricultural Research Information System by adding a comprehensive roster of Southern experts for technical cooperation among developing countries and countries in transition. UNIDO has an industrial and technology information bank and a technology information exchange system. The Universal Postal Union maintains an updated roster of experts in postal services and communication in developing countries. The Global Trade Point Network (GTPNet) of UNCTAD provides a broad range of information on goods and services, as well as trade practices and investment opportunities in the South. The network has increased its regional and country-based trade points to 60, covering 117 countries in all regions. To some developing countries, GTPNet has become the only sure avenue for participation in electronic commerce.

44. Another outstanding example is the Small Island Developing States Network (SIDSNet), launched in 1997 jointly by UNDP and the Alliance of Small Island States. SIDSNet now includes a Web site featuring networking tools for biodiversity, climate change, energy, tourism and trade. The network has become an important platform for small island developing States in all the regions to share information and exchange experiences.

45. A major development in the facilitation of South-South information flow has been the conversion of the Technical Cooperation among Developing Countries Information Referral System into the fully Internet-based Web of Information for Development, initiated by the Special Unit for Technical Cooperation among Developing Countries in 1998 in collaboration with the Government of Brazil. Already the system carries extensive information on Southern expertise, development institutions, centres of excellence and training courses in Southern institutions. It has also documented a wide array of successful practices in science and technology, urban management, poverty alleviation measures, sustainable agriculture and rural development. Partnerships forged with Southern research institutions and networks and collaboration with other United Nations agencies have provided some of these compilations on best practices. Ongoing efforts are concentrated in further diversifying the information to also contain country- and sector-specific information and cooperation opportunities existing in the South. Special efforts are being made to make the information accessible to less developed countries by providing limited hardware support. Once fully developed, all developing countries that have access to the Internet would be able to access information on South-South cooperation and to provide information on their development activities to interested partners.

46. While the United Nations organizations and agencies have invested heavily and appropriately over the years in creating various databases and information systems, it remains a formidable challenge to link them and to make them easily accessible to developing countries as well as to the donor community and to the United Nations country operation teams.

D. Integrating South-South cooperation into operational activities

47. In response to General Assembly resolution 52/205, the UNDP Special Unit for Technical Cooperation among Developing Countries, in close collaboration with the

organizations and agencies of the United Nations system, has undertaken a number of initiatives aimed at further improving the coordination and effectiveness of the system's support for South-South cooperation. These include: (a) the revision of the system-wide guidelines for the review of policies and procedures concerning technical cooperation among developing countries (E/1997/110), which were reviewed by the Economic and Social Council and noted in its decision 1998/284; (b) the concrete recommendations of the Secretary-General on the strengthening of the integration of the modalities of economic and technical cooperation among developing countries (A/53/226/Add.4); and (c) the meeting of representatives and focal points on economic and technical cooperation among developing countries in June 1999 to revisit the guidelines and specifically discuss and develop common indicators for monitoring and measuring progress and results achieved in implementing the revised guidelines and the recommendations of the Secretary-General. It is believed that these efforts will go a long way towards fulfilling the commitment of the United Nations development system to orient its operational activities increasingly towards the support of South-South cooperation.

48. From the Buenos Aires Plan of Action to Economic and Social Council resolution 1992/41 of 30 July 1992 and many subsequent General Assembly resolutions, the United Nations system has been constantly urged to give prominence to South-South cooperation in the programmes and activities supported by the organizations and agencies of the United Nations system, including the regional commissions. Orienting the operational activities for development increasingly towards the support of South-South cooperation constitutes an important element of the strategy of the United Nations development system. While progress has been registered in recent years, more efforts are needed to increase the level of financial support for such cooperation. Senior managers throughout the United Nations development system, at both the Headquarters and country levels, must be oriented to supporting South-South cooperation as their primary responsibility. The United Nations Development Assistance Framework, the UNDP regional and country frameworks and the regular technical cooperation programmes of all the United Nations organizations and agencies, including the regional commissions, must give concrete expression to the support of collaborative initiatives among developing countries.

IV. Concluding remarks

49. The upsurge in South-South cooperation has continued despite the economic and financial setback observed in 1997 in some Asian countries. The strength of an integrated world economy cushioned the contagion effect of the Asian downturn and also delayed and mitigated its impact on other developing countries and countries in transition. The crisis has, however, demonstrated again that the global economy is interdependent and that no country could remain unaffected by or provide on its own solutions to emerging problems in a rapidly changing world economy.

50. It is worth noting that the Asian crisis has laid the groundwork for consensus on banking reforms and for especially cautious management of short-term capital flow. It has helped in the articulation of new ideas on monitoring currency transactions and highlighted the need for bolder measures to upgrade the quality of human resources. It has stressed the need for the South to rely more heavily on the principles of solidarity and collective self-reliance and to develop adequate processes, mechanisms and policies for reaping the benefits of globalization.

51. The review in the present report makes it clear that South-South cooperation is a powerful instrument for expanding the global economy in an equitable manner. It facilitates the inclusion of all countries, especially the disadvantaged ones, in a prosperous, integrated world. It is also obvious that while the globalization process has expanded the opportunities for developing countries, it has also presented challenges requiring multilateral action to counter them successfully.

52. South-South cooperation provides a formidable framework for collective action on the national, subregional, regional interregional and global levels. It is an enterprise among the South, by the South and for the South. It needs to be followed both individually and collectively. Its ultimate objective is enlarging people's choices and improving the well-being of the poor and the disadvantaged. While external support remains crucial and, indeed, needs to be increased substantially, the extent to which the full potential of such cooperation can be exploited and unleashed depends largely on the South's own efforts. The success of such efforts can contribute significantly to the sustainable economic growth and integration of developing countries in the world economy. More deliberate efforts must, therefore, be made to strengthen the collective self-reliance of the South. First, regional and subregional economic arrangements should seek regional integration more rapidly. Second, they should develop and coordinate common

positions on global economic issues and be transformed into strong platforms of common interest. Third, their bargaining capacity through the building and consolidation of regional and global organizations, such as the Group of 15, the Group of 24 and the Group of 77, and through the provision of support to Southern think-tanks should be strengthened. Innovative regional mechanisms for dealing with financial and monetary matters, for example, should be explored to attract external capital flows, to provide early warning of financial crisis, to mobilize international rescue operations and to formulate structural adjustment programmes suited to the economic and financial systems and social conditions of the countries concerned.

53. Increasing interdependence between and among all economies is the *raison d'être* for renewed multilateralism. It needs a humane face to be inclusive and sustainable. The profit motive and the development motive need to go hand in hand. The experiences and innovative initiatives discussed in the present report, such as collective capacity-building, triangular cooperation, debt reduction, knowledge networking and the setting up of centres of excellence, open up a variety of practical avenues for more donor participation and support. The international community, and especially the multilateral system, must work together to draw lessons from these experiences and to develop and support more results-oriented and self-sustaining South-South initiatives. This way conditions and opportunities for the wider participation of developing countries in the globalization process can be ensured and the international development objective can be advanced.

Notes

[1] UNCTAD, Trade and Development Report 1998, p. 27.

[2] Bouzas, Robert, "Promoting trade and investment in the Mercosur region" (paper prepared for the eleventh session of the High-level Committee on the Review of Technical Cooperation among Developing Countries, 1999).

[3] UNCTAD, Trade and Development Report 1998, p. 28.

[4] South Centre, "Foreign Direct Investment, Development and the New Global Order", 1997.